

Message Text

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ACTION EB-07

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COME-00 DODE-00 FRB-01 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-02 AID-05 CIEP-02 SS-15 STR-04

TAR-01 TRSE-00 USIA-15 PRS-01 SP-02 OMB-01 /105 W

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R 080710Z AUG 75

FM AMEMBASSY CANBERRA

TO SECSTATE WASHDC 6347

INFO AMCONSUL BRISBANE

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AMCONSUL PERTH

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UNCLAS CANBERRA 5339

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SUBJ: FOREIGN INVESTMENT CLIMATE AND STATISTICS

REF: (A) STATE 165596

(B) CANBERRA 4248

(C) CANBERRA 4423, 7/12/74

(D) CANBERRA 2551, 4/30/74

(E) CANBERRA 2192, 4/11/74

(F) CANBERRA A-089, 6/12/74

1. NARRATIVE STATEMENT HAS BEEN ENTIRELY REWRITTEN FOR THIS YEAR'S REPORT, BASED ON EMBASSY'S COMPREHENSIVE RESPONSE (REF B) TO DEPARTMENT'S RECENT REQUEST FOR INFORMATION IN CONNECTION WITH FOREIGN INVESTMENT STUDY ACT OF 1974. REVISED NARRATIVE IS FOLLOWED BY UPDATE OF INVESTMENT STATISTICS SUBMITTED LAST YEAR IN REF (D).

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WM BEGIN TEXT: AUSTRALIA'S BASIC OBJECTIVE RESPECTING

INCOMING FOREIGN INVESTMENT IS TO INCREASE THE SHARE OF
LOCAL OWNERSHIP AND CONTROL OF ITS ECONOMY.

3. FROM THE VIRTUALLY "OPEN-DOOR" POSITION WHICH
PREVAILED IN THE 1960S, AUSTRALIA HAS MOVED TO A STATED
POLICY OF ACCEPTING FOREIGN INVESTMENT ONLY WHERE IT IS
FOUND TO SERVE THE "NATIONAL INTEREST". UNDER THIS POLICY
NEW FOREIGN INVESTMENT IS TO BE APPROVED ONLY WHEN ITS
BENEFITS, SUCH AS ACQUISITION OF TECHNOLOGY, NEW EXPORT
MARKETS, ENHANCED COMPETITION AND NEW JOBS, ARE ADJUDGED
TO OUTWEIGH ITS EFFECT IN DILUTING LOCAL OWNERSHIP AND
CONTROL. ACCORDINGLY, PRESENT POLICY PROVIDES NOT ONLY
FOR AN ECONOMY-WIDE INCREASE IN THE AUSTRALIAN SHARE OF
OWNERSHIP AND CONTROL, BUT ALSO SETS A GOAL OF 100 PCT.
LOCAL EQUITY IN THE ENERGY INDUSTRIES (ALTHOUGH THIS HAS
BEEN AMENDED TO PERMIT MORE FLEXIBILITY IN THE CASE OF
PETROLEUM EXPLORATION) AND MAJORITY LOCAL OWNERSHIP IN
ALL OTHER MINERALS ACTIVITIES. FOREIGN OWNERSHIP IS ALSO
EXCLUDED FROM SENSITIVE AREAS SUCH AS BROADCASTING,
UTILITIES, AIRLINES AND BANKING, AND FROM ANY NEW
PARTICIPATION IN DOMESTIC FINANCE COMPANIES OR SPECULATIVE
ACQUISITION OF REAL ESTATE.

4. WHEN DESCRIBED IN THESE TERMS, AUSTRALIA'S POLICY APPEARS
TO BE MORE RESTRICTIVE, AND THE OBJECT OF MORE URGENT
IMPLEMENTATION THAN HAS IN FACT PROVEN THE CASE TO DATE.
WHILE THE OBJECTIVE IS CLEAR, MANY DETAILS OF THE
APPLICATION OF THIS POLICY ARE NOT SPELLED OUT, AND IN
PRACTICE ITS APPLICATION TO INDIVIDUAL SECTORS HAS BEEN
UNEVEN. MOST IMPORTANTLY, THE TREATMENT OF NEW FOREIGN
INVESTMENT IN THE MINERALS AND ENERGY FIELD HAS BEEN
HIGHLY RESTRICTIVE, WHILE POLICY TOWARD THE MANU-
FACTURING SECTION HAS BEEN MORE LIBERAL. THE REVIEW
OF FOREIGN INVESTMENT PROPOSALS IS CARRIED OUT BY TWO
INTERDEPARTMENTAL COMMITTEES HEADQUARTERED IN THE TREASURY.
ALTHOUGH THE TREASURY DOES NOT RELEASE INFORMATION ON THE
PROPORTION OF PROJECTS APPROVED OR DISAPPROVED, THERE IS
REASON TO BELIEVE THAT OUTSIDE OF THE MINERALS SECTOR,
THE PROPORTION OF REFUSALS TO TOTAL PROPOSALS HAS BEEN
COMPARATIVELY MODEST. THERE IS NO EVIDENCE OF DISCRIMINATION
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AMONG OVERSEAS INVESTMENT SOURCES.

5. MOREOVER, DESPITE FREQUENT OFFICIAL CRITICISM OF
MULTINATIONAL COMPANIES, AND UNCERTAINTIES OVER DETAILS
OF POLICY, AUTHORITATIVE GOVERNMENT SPOKESMEN FIRMLY
MAINTAIN THAT THERE IS AN IMPORTANT CONTINUING ROLE FOR
FOREIGN CAPITAL IN AUSTRALIA AND THAT THE CONTRIBUTIONS WHICH
FOREIGN INVESTMENT CAN MAKE TO THE LOCAL ECONOMY ARE

REQUIRED AND WELCOMED. IN THE SHORT RUN, A MAJOR DETERRENT TO FOREIGN INVESTMENT ENDED IN SEPTEMBER 1974 WHEN A VARIABLE DEPOSIT REQUIREMENT INTRODUCED AT THE END OF 1972 FOR FISCAL MANAGEMENT REASONS WAS SUSPENDED. THIS DEPOSIT REQUIREMENT HAD VIRTUALLY HALTED NEW FOREIGN INVESTMENT INFLOW IN 1973 AND EARLY 1974. WITH THE COOLING OF THE ECONOMY THEREAFTER THE DEPOSIT REQUIREMENT WAS PROGRESSIVELY REDUCED AND FINALLY ELIMINATED. IN THE LONGER RUN, NOTWITHSTANDING THE IMPORTANT CHANGE WHICH HAS TAKEN PLACE IN THE INVESTMENT CLIMATE SINCE 1960S, A NUMBER OF FACTORS STILL FAVOR SUBSTANTIAL FOREIGN INVESTMENT IN AUSTRALIA. THESE INCLUDE A GROWING MARKET, LARGE UNDEVELOPED RESOURCES, AND A POLITICAL AND LEGAL SYSTEM WHICH RESPECTS PROPERTY RIGHTS AND CONTRACTUAL OBLIGATIONS.

6. DIRECT OVERSEAS INVESTMENT (OTHER THAN RETAINED EARNINGS) IN AUSTRALIAN COMPANIES RECOVERED IN FINANCIAL YEAR 1973-74 FROM THE VIRTUAL HALT RECORDED IN THE PRECEDING YEAR (\$A40 MILLION) TO \$A147 MILLION BUT WAS STILL AT THE LOWEST LEVEL FOR AT LEAST TEN YEARS. THE LEVEL OF DIRECT INVESTMENT IN THE FORM OF RETAINED EARNINGS, HOWEVER, WAS AT A RECORD FIGURE OF \$A413 MILLION. END TEXT.

7. THE UPDATED INVESTMENT STATISTICS CALLED FOR IN PARA 7 OF REFTEL (A) ARE GIVEN BELOW IN U.S. DOLLARS. THEY ARE COMPLETE THROUGH THE END OF FINANCIAL YEAR 1973-74 (JUNE 30, 1974) AND HAVE BEEN CONVERTED TO U.S. DOLLARS AT AVERAGE RATES OF EXCHANGE PREVAILING WHEN INFLOWS OCCURRED (SEE REF F).

A. NOT REQUIRED AS INFORMATION PUBLISHED IN SEPTEMBER 1974 AND MARCH 1975 ISSUES OF SURVEY OF CURRENT BUSINESS.

B. DIRECT INVESTMENT BY ALL COUNTRIES (BOOK VALUE, NOT UNCLASSIFIED

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BROKEN DOWN BY SECTOR) AT END OF FINANCIAL YEAR 1973-74.

(1) TOTAL INCLUDING U.S.: US\$9,727 MILLION

(2) UNITED STATES: US\$4,308 MILLION

(3) UNITED KINGDOM (ONLY OTHER SINGLE SOURCE OF SIGNIFICANCE):
US\$3,802 MILLION

(4) ALL OTHER SOURCES: US\$1,617 MILLION

C. DIRECT INVESTMENT IN U.S. BY AUSTRALIANS (BOOK VALUE, NOT BROKEN DOWN BY SECTOR) AT END OF FINANCIAL YEAR 1973-74: US\$58 MILLION

D. DATA SOURCES:

(1) FOR DATA THROUGH FINANCIAL YEAR 1972-73 SEE REFTEL D, PARA 4 A-C.

(2) FOR FINANCIAL YEAR 1973-74: AUSTRALIAN BUREAU OF STATISTICS, CANBERRA "OVERSEAS INVESTMENT, 1973-74; REFERENCE NUMBER 5.20.

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